

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE ANNUAL</b>	)	
<b>REVISION OF THE UNIVERSAL SERVICE</b>	)	<b>CASE NO. GNR-T-05-6</b>
<b>FUND SURCHARGES TO BECOME</b>	)	
<b>EFFECTIVE OCTOBER 1, 2005.</b>	)	<b>ORDER NO. 29860</b>
_____	)	

On July 14, 2004, the Administrator of the Universal Service Fund (USF) filed the Annual Report for the previous USF fiscal year from July 1, 2004, through June 30, 2005. Based upon the Commission's review of the Annual Report and the recommendation of Staff and the fund Administrator, the Commission finds that the USF surcharges should be increased. The Commission orders that the current Idaho USF monthly surcharge of \$.10 per residential line and \$.15 per business line be increased to \$.12 per residential line and \$.20 per business line. The Commission also orders the present Idaho USF surcharge of \$.003 per MTS/WATS minute should be increased to \$.004 per toll minute. These surcharges will become effective October 1, 2005.

**BACKGROUND**

The Idaho Telecommunications Act of 1988 created a Universal Service Fund (USF) "for the purpose of maintaining the universal availability of local exchange service at reasonable rates and to promote the availability of message telecommunication service (MTS) at reasonably comparable prices throughout the state of Idaho." *Idaho Code* § 62-610(1). The USF is funded from surcharges levied upon local exchange service and intrastate MTS (long-distance) and wide area telecommunication services (WATS). Funds are distributed to qualifying high-cost local exchange telephone companies to supplement their annual revenue requirements. In that way, distributions from the USF offset a certain amount of revenues that necessarily would come from customers in the absence of the fund. *See Idaho Code* § 62-610(2)-(4).

In July of each year the USF Administrator provides an Annual Report to the Commission reviewing the fund balance and recommending changes, if any, in the surcharges to maintain adequate funding levels. Following its review of the report, the Commission issues an Order prescribing USF surcharges for the next 12 months beginning October 1. *See Rules* 104 through 106 of the Commission's USF Rules; IDAPA 31.46.01.104-106.

## **THE 2005 REPORT**

The Administrator reported that surcharge revenue for the past year totaled \$1,616,135. Fifty-one percent (51%) of that amount was derived from surcharges on local exchange services and 49 percent (49%) was derived by surcharges on MTS/WATS services. Disbursements to the eight qualifying local exchange carriers increased slightly to a total of \$1,973,671. As of June 30, 2005, the ending fund cash balance was \$65,265.

The USF is currently funded through surcharges of \$.10 per residential line per month, \$.15 per business line per month, and \$.003 per intrastate toll minute. The Administrator's Report indicated that the total USF surcharge revenue has increased by approximately \$130,000, as compared to 2004. The Administrator reported that if current surcharge levels are maintained and no additional funding is needed, the fund will eventually decrease to a negative balance of approximately \$22,886 by June 30, 2006.

The Fund Administrator presented five options to the Commission for possible adjustments to the USF surcharges: (1) maintain the current surcharge levels; (2) increase local surcharge rates only; (3) increase MTS/WATS surcharge rates only; (4) increase all surcharge rates; and (5) adjust funding to meet statewide averages and increase all surcharge rates. The Administrator noted that Cambridge Telephone and Inland Telephone Company could slightly reduce access rates pursuant to IDAPA 31.46.01.106. The Administrator recommended Option 5, which would result in an estimated reserve balance of \$552,958 by June 30, 2006.

## **DISCUSSION**

The USF surcharge rates were decreased in 2002, Order No. 29101, and were not changed in 2003. Order No. 29324. The surcharge rates were increased to their current levels in 2004 to avoid a negative balance in the fund. Order No. 29570. The current surcharge rates resulted in a year-end cash balance of \$65,265 in the fund, which is a historically low reserve balance for the fund. As previously stated, maintaining these current surcharge levels will result in a negative balance. Staff, although concerned about increasing the per-toll-minute rate because of continued competitive pressure and unstable toll minute inventories, states that local exchange companies also face increasing competition and shrinking line counts. Therefore, Staff supports spreading the needed income increase among the local and toll carriers. Staff also recommends that making slight adjustments to the access rates of Cambridge Telephone and Inland Telephone is not necessary at this time, as it may not have any distinguishable effect

given the components of access revenue and the reporting cycles to the fund. Staff recommended adopting the Administrator's Option 4, that is, increasing all surcharge rates.

After reviewing the Administrator's Report and the analysis provided by Staff, the Commission finds that the USF surcharges should be increased to avoid the USF from incurring a negative balance in the upcoming year, to provide a reasonable reserve, and to ensure that the fund will continue to operate for the benefit of universal telephone service in the State of Idaho. The Commission finds that a monthly surcharge of \$.12 per residential line and \$.20 per business line is adequate and in the public's interest to help ensure the continuing solvency of the USF. The Commission further finds that the surcharge for MTS/WATS usage should be increased to \$.004 per minute to maintain an appropriate balance between local and toll revenues, and to maintain a reasonable funding level for the USF. The Commission will not order that individual company access rates be increased or reduced at this time.

*Idaho Code* § 62-610 establishes the eligibility requirements for local exchange companies to draw funds from the USF, and requires participating companies' toll access rates to be at least 100% of the statewide average. The Commission's Rules require a participating company to revise its rates if: (1) the difference between the Company's rates and a statewide threshold rate is more than 3%; and (2) the difference in the amount of revenue collected under the company's rates and the threshold rate is greater than \$6,000. *See* IDAPA 31.46.01.106.02. The Commission Staff may investigate individual company access rates and report to the Commission whether adjustments are necessary in order for the companies to remain eligible for USF support.

### **ORDER**

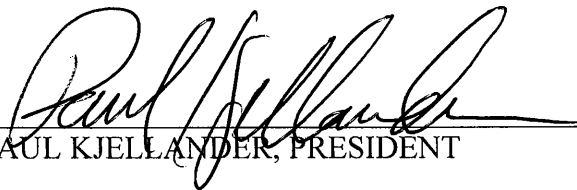
IT IS HEREBY ORDERED that the Universal Service Fund local exchange service surcharge shall be \$.12 per month for each residential line and \$.20 per month for each business line.

IT IS FURTHER ORDERED that the Universal Service Fund MTS/WATS surcharge shall be \$.004 per minute.

IT IS FURTHER ORDERED that these USF surcharges shall be effective October 1, 2005.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

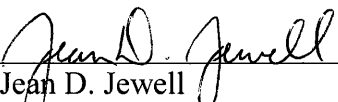
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31<sup>st</sup> day of August 2005.

  
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PAUL KJELLANDER, PRESIDENT

  
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MARSHA H. SMITH, COMMISSIONER

**Out of the Office on this Date**  
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DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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